GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:155
ANSWERED ON:18.02.2009
RATIONALIZATION OF RATES AND DUTY STRUCTURE
Thakkar Smt. Jayaben B.

Will the Minister of FINANCE be pleased to state:

(a) whether the Gujarat Government has requested the Union Government for rationalization of rates and duty structure in respect of excise duty on drugs and pharmaceutical products;

(b) if so,the reaction of the Government thereto;

(c) whether the excise duty linked with MRP has adversely affected the small scale industries in Gujarat resulting in either closure or shifting the units to other States where the excise exemption is available; and

(d) if so,the steps taken or proposed to be taken to protect Small Scale Industry Sector of Gujarat?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a) In 2005, the Chief Minister of Gujarat had made a reference requesting for

(i) increase in the abatement from retail price from 40% to 50% for drugs and

(ii) reduction in excise duty on drugs and pharmaceutical products from 16% to 8%.

(b) The request was examined and it was decided not make any change in the excise duty structure on medicines.However,the issue of excise duty on drugs and pharmaceutical products has been revisited in 2008-09 budget and taking into account all relevant factors including disadvantage faced by pharma units located in non-tax exempted States on account of area based exemption scheme, excise duty on drugs and pharmaceutical products was reduced from 16% to 8%.As regards increase in abatement,the Abatement Committee had examined the matter and found that a separate higher rate of abatement for drugs manufactured by SSI units is not justifiable on the basis of material on record.

(c) According to data available with the Central Excise Department,instances of closure or shifting of SSI units manufacturing drugs and pharmaceuticals products in Gujarat have not been significant.

(d) The reduction in excise duty from 16% to 8% on drugs and pharmaceutical products in 2008-09 budget is reported to have checked the shifting of pharma industry from non-tax exempt to tax exempted States.